



*Financial Affairs Committee*  
**November 19, 1999**

**BRICE, Thanks for a Job Well Done!!!**

Brice Bledsoe, CVPWA Finance Director, accepted a position with the Contra Costa Water District effective November 29. Even though he was with the Association for but a year and a half, he was involved in many issues of much importance and made significant contributions to the CVPWA and its members. The "Joint CVP Water and Power Contractor Proposal for the Interim Allocation of Central Valley Project Costs", a very substantial effort of which Brice was a major player, is a case in point. It's easily understandable that his many talents and abilities would be much sought-after. Although Wally Bishop, General Manager, Contra Costa WD, will have the services of Brice on a daily basis, we're confident that CCWD recognizes the value to them, as well as to the CVPWA in general, of Brice's involvement with the Financial Affairs Committee and will assure his continued participation.

1) Opening Business

The meeting was held at the CVPWA Offices, 1519 I Street, Sacramento. The meeting began promptly at 9:30 a.m.

The next Financial Affairs Meeting will be held at the ACWA convention in San Diego, Tuesday, November 30, starting at 1:00 p.m. Following ACWA, the next scheduled meeting will be on Tuesday, December 14 starting at 9:30 a.m. in Sacramento. Immediately after this meeting, the Ratesetting Office will conduct a workshop explaining the procedures and computations used in developing the Full Cost Water Service Rates. Unless notified otherwise, the December 14<sup>th</sup> meeting will be held in the CVPWA Offices.

2) Reclamation Issues

a) Update on water accounting program (RAIN)

Jim Bjornsen reported that he is expecting a proposal from the Contractor for review and anticipates that the proposal will be available for Financial Affairs review in January 2000.

b) 1999 Water Contractor Accountings

Although most water delivery information appeared to reconcile with Water Contractor records, there were some significant problems encountered. It seems that when a problem did show-up, it was substantial in amount. Ron encouraged the Water Contractors to review these

accountings so that errors could be corrected at the appropriate time, thus heading off potential future problems. The preliminary 1999 data should be available for Financial Affairs review in January.

It was also mentioned that the Bureau had issued a draft of "Rescheduling Guidelines and Accounting Procedures" for review and comment.

3) Analysis of 1998 Storage Expenditures

Brice Bledsoe provided a handout of his analysis of 1998 Storage Expenditures. During his review, Brice had several sessions with Bureau Ratesetting and Budget staff wherein a number of questions were asked regarding cost increases in 1998 as compared to previous years. A note of particular interest is that in 1998 Reclamation began assigning G&A expenditures and miscellaneous revenues to the water marketing account. Previously, G&A expenditures had been allocated across the Storage, Conveyance, Conveyance Pumping and Direct Pumping components. However, because Conveyance and Conveyance Pumping Facilities are essentially all self-funded by the Water Contractors, G&A expenses would by default have been allocated almost entirely to the Storage component. Therefore, in order that all Water Contractors share in G&A expense, these expenses are now allocated entirely to the Water Marketing component. The net Storage increase to Irrigation was \$1.9 million as compared to 1997; the increase to M&I was \$0.8 million. A copy of the Storage Expenditure analysis is enclosed which provides an overview of the allocation and reasons for the increased expenditures.

Also, during the review sessions with Reclamation staff, it was noted that \$489,000 spent in 1996 for replacing the Friant Drum Gates had not yet been capitalized. These expenditures will be capitalized in 1999 and will produce a combined credit of approximately \$267,000 to Irrigation and M&I expense for 1999.

4) Analysis of 1998 Water Marketing Expenditures

The 1998 Water Marketing allocation to Irrigation reflects a \$1.1 million increase over 1997. The allocation to M&I decreased by \$0.7 million. The decrease is due to the large amount of Non-Permanent Contractor Revenues received from M&I customers. Under the Ratesetting Policy, these revenues are credited against allocated G&A expenditures thus offsetting allocated expenses.

A handout is enclosed which provides further detail regarding the analysis.

5) Analysis of Y2000 Water Marketing and Storage Budgets

At the same time discussions were had with Reclamation Ratesetting and Budget staff (see Analysis of 1998 Storage Expenditures above), a review of the FY2000 budget was also made. Through these discussions it was discovered that \$700,000 of non-reimbursable Water Marketing Expenses had been incorrectly allocated to Irrigation and M&I. However, it was also discovered that budgeted expenditures for Suisun Marsh of \$746,000 had been overlooked in preparing the Y2000 rates. The net effect of these essentially offsetting items, is that the Y2000 rates will be as initially determined. Please see the enclosed handouts for additional detail.

6) Other Issues

a) Warren Act Legislation

A meeting will be held in Las Vegas the week of December 6 regarding this issue.

b) Project Power/Project Use

Studies are now underway to determine how the CVP will operate without the PG&E energy balancing account. Also, there may be problems in the management of energy as we have been informed that at present, no appropriations have been made to fund Purchase Power. Without an appropriation, funding of Purchase Power and Wheeling costs will probably lead to Customer self-funding of these activities. More will be said about these issues as information becomes available.